

Exhibit 79

JEFFREY WOOLDRIDGE, INTRODUCTORY
ECONOMETRICS: A MODERN APPROACH
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Introductory Econometrics

A Modern Approach



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Therefore, based on information known before the election in November, Clinton was predicted to receive a very slight majority of the two-party vote: about 50.1%. In fact, Clinton won more handily: his share of the two-party vote was 54.65%.

10.5 Trends and Seasonality

Characterizing Trending Time Series

Many economic time series have a common tendency of growing over time. We must recognize that some series contain a **time trend** in order to draw causal inference using time series data. Ignoring the fact that two sequences are trending in the same or opposite directions can lead us to falsely conclude that changes in one variable are actually caused by changes in another variable. In many cases, two time series processes appear to be correlated only because they are both trending over time for reasons related to other unobserved factors.

Figure 10.2 contains a plot of labor productivity (output per hour of work) in the United States for the years 1947 through 1987. This series displays a clear upward trend, which reflects the fact that workers have become more productive over time.

Other series, at least over certain time periods, have clear downward trends. Because positive trends are more common, we will focus on those during our discussion.

What kind of statistical models adequately capture trending behavior? One popular formulation is to write the series $\{y_t\}$ as

$$y_t = \alpha_0 + \alpha_1 t + e_t, t = 1, 2, \dots,$$

10.24

FIGURE 10.2

Output per labor hour in the United States during the years 1947–1987; 1977 = 100.

